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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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*Army, USAF and State Dept
reviews completed*

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SOVIET UNION

1. Pravda criticizes Soviet industrial management: A Moscow broadcast of 27 May, commenting on the results of production plans for the first quarter of 1952, quoted Pravda as criticizing malpractices in certain basic industries. Pravda was described as having condemned the continuation of bureaucratic procedures, and as having emphasized the need for increased technology and more efficient utilization of existing labor and machinery in production. (R FBIS, 28 May 52)

Comment: This criticism of Soviet management in industry implies that the policy of increasing production through greater exploitation of existing facilities and the raising of technological levels, which has been in existence since 1950, will continue. This policy might well form one of the basic features of the second postwar Five Year Plan, which has not yet been publicly announced.

EASTERN EUROPE

2. Yugoslavia announces meeting of Albanian refugees in Prizren: According to a Belgrade announcement, the association of political emigrants from Albania, the Yugoslav-sponsored Prizren Committee, was to hold its second session in Prizren on May 31. It was stated that participants at the conference would represent 4,500 Albanians who have fled from Albania since the Cominform Resolution in 1948. (R FBIS Ticker, Belgrade, 29 May 52)

Comment: The Prizren Committee was formed in May 1951. It is an organization devoted to the ends of Yugoslavia in Albania, carrying out subversive missions in Albania and attempting to harness the activities and resources of the Alban-

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ian community in Yugoslavia.

A meeting of the Albanian emigre organization at this time assumes significance against the background of rumors concerning the impending conclusion of a Greek-Yugoslav deal over Albania and deteriorating Yugoslav-Italian relations. The meeting may shed light upon reported Yugoslav contacts with various Albanian political groups in the West and the Levant.

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- 25X1C 3. Trieste firm offers ship to Albania: [redacted] a Trieste import-export firm offered to sell Albania a thousand-ton steamship for approximately \$1,451,000 and some 3- and 4-cylinder vessels at \$11,400 and \$14,000 respectively. (S Trieste Joint Weeka 22, 29 May 52)

Comment: If the sale of the steamship is consummated, the ship will increase the carrying capacity of the Albanian merchant marine by some 50 percent. At present the Albanian fleet consists of ten ships of less than 500 tons.

4. Bulgarian Premier affirms subordination of Fatherland Front to Communist Party: In a speech opening the Third Congress of the Bulgarian Fatherland Front, Premier Vulko Chervenkov stated that it is no longer necessary for the Fatherland Front to have its own program. "Although this was necessary in 1942 and 1944 and at the time of the Second Congress in 1948, now, when all these programs have been realized, there is no necessity for a separate program established for the Fatherland Front." (R FBIS, 29 May 52)

Comment: The formal acceptance by the Fatherland Front of the program of the Communist Party will represent the final step in the degeneration of the Fatherland Front into a mass political organization dominated by the Communist Party of Bulgaria. The top positions in the Front have been held by leading members of the Communist Party since 1947.

5. Czech Deputy Premier stripped of offices: Dr. Jan Sevcik, Czech Deputy Premier since 1948, has been removed from his post and from his position as head of the Office of Physical Culture and Sports. On 29 May, Radio Prague announced that he was dismissed as chairman of the Slovak Regeneration Party for "continued violation of the policy of the National Front of Czechs and Slovaks." The secretary general of the Regeneration Party

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was also dismissed on the same grounds. They were replaced respectively by Jozef Kysely, Slovak Commissioner of Health, and Jozef Gajdosik, finance officer of the Zilina National Committee in Slovakia. (R FBIS, Czech Home Service, 29 May; U Washington Post, 30 May 52)

Comment: A relative nonentity in the Czech government, Sevcik has apparently outlived his usefulness to the Communist regime. Since the Communist coup he has served as a figurehead of non-Communist participation in the "National Front" government of Czechs and Slovaks.

During his tenure, the government destroyed all possibilities of an autonomous Slovak policy, and his removal occurs at a time when the government has begun to emphasize the National Front more than at any time since the coup. It may be that he has been sacrificed to a shift of government policy in the direction of increased Slovak integration with the Czech lands of Bohemia and Moravia.

6. Czechs purge "hostile elements" in state farms and machine tractor stations: A purge of 66 directors from Czech state farms and machine tractor stations occurred on 28 May. All replacements appointed by Minister of Agriculture Josef Nepomucky have been chosen from among the worker and small and medium farmer classes. (C Prague 825, 29 May 52)

Comment: Directors of the machine tractor stations and the former kulaks who act as agricultural experts on the state farms have borne the brunt of official displeasure over non-fulfillment of the agricultural plan. In the past several months, emphasis has been placed on ridding the agricultural sector of the responsible "hostile elements" in an effort to increase production.

On 27 May the government established a Ministry of Agricultural Supplies for the bulk buying of all types of agricultural products "in order to safeguard the population's food supply and widen the raw materials base of industry." Thus, it appears that Czechoslovakia is increasing its efforts to fulfill the stepped-up delivery quotas set for 1952 and possibly to stockpile agricultural products.

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7. Czechoslovakia establishes maritime shipping agency: Cechofracht, a new Czech agency for international ocean shipping, began operations on 1 April. It took over from Metrants, the Czech international forwarding agency, all duties relating to Czech merchant vessels: chartering, maintenance, arranging for cargo space, and representation of foreign shipping and transportation companies in Czechoslovakia. (U Prague Desp 360, 7 May 52)

Comment: Czech merchant shipping is principally engaged in trade with China, India and the Near East. Czechoslovakia relies heavily upon Polish shipping facilities, but in recent months its chartering activities have increased and efforts have been made to purchase merchant ships. The organization appears to be a replica of the Polish agency Polfracht.

8. Authority of Hungarian State Control Center extended: The Hungarian National Assembly on 28 May adopted a law extending the authority of the State Control Center over economic life.

The US Legation in Budapest observes that the new measure followed a press report of the imprisonment of four officials for intentionally producing bad bricks, and lends credence to rumors that many factory managers have been arrested and that investigators from the Council for Economic Mutual Assistance had criticized Hungary for falsification of plan fulfillment statistics. (R Budapest 889, 30 May 52)

Comment: The new law places authority for overcoming economic defects, which have been publicized since March, in the hands of an independent state agency which reports to the Peoples Economic Council headed by party leader Gero. The State Control Center chief, Istvan Sebes, told parliament that the measure would enable Hungary, following Soviet methods, to expose and punish breaches of the law and to enable the masses to participate in the process.

The US Legation previously stated that it was unable to verify the arrival of a CEMA investigating mission in Hungary. There appears to be no example of such an inquiry in any other Satellite country.

9. Pro-Cominform party suffers electoral blow in Zone A of Trieste: The legal stature and the prestige of the Cominform Communist Party in Trieste suffered a severe blow in the recent

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communal elections in Zone A of Trieste. The Vidali party's strength in the city proper was reduced from 35,548 (21 percent of the total vote) to 30,976 (17 percent). Under the Italian electoral system, the Cominformist minority representation in the Trieste Communal Council was reduced from 13 to 6. In outlying areas the party lost control in two communes, retaining power only in the Communist stronghold of Muggia. Cominform losses in the hinterland were generally absorbed by the anti-Communist and pro-Tito Slovene lists. (S Trieste Joint Weeka 22, 29 May 52)

Comment: The policy of the pro-Titoites to exploit Vidali's uncertain stand on independence, and the reported schism in party ranks provoked by the fear of a shift in party line, vitiated the Cominformist electoral appeal in the predominantly Slovene countryside and among those Triestines opposing Italian rule. All other issues were subordinate to that of Italian claims to the area, and the Vidali group's failure or inability to take a strong stand against the return of the Free Territory to Italy cost it considerable strength among partisans of both camps.

10. Sixth Yugoslav Party Congress to emphasize role of the party in evolving state policy: American officials in Belgrade report that the Sixth Party Congress scheduled for October 1952 in Zagreb will be utilized by Tito to establish and spread the new party line. Emphasis will probably fall upon measures being taken to encourage party members to assume greater responsibility and initiative as political agitators in the various economic organizations. It will also be necessary to clarify the Marxist principles underlying local governmental reforms and their extension to the higher levels of government. (S Belgrade Joint Weeka 22, 29 May 52)

Comment: Yugoslav party leaders will undoubtedly use the congress to propagandize the Yugoslav evolution towards the realization of true Marxism, characterized by decentralization of power to the producers. As a consequence of growing Italo-Yugoslav hostility and continued pressure from the east, a strong nationalistic theme will probably also be evident.

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FAR EAST

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Chances of Rhee-Assembly reconciliation reported nil: American Charge Lightner, after a conversation with members of the UN Commission for the Unification and Rehabilitation of Korea, reports that pursuit of a tentative UNCURK plan to invite President Rhee and key members of the opposition to a joint conference would now be useless. The President would not be deterred from his present course by normal diplomatic approaches, while the Assembly would accept no compromise which included Rhee in the government. (S Pusan 1216, 31 May 52)

Comment: Protests to Rhee by the UN Command, UNCURK and Embassy officials have been countered with references to a Communist-financed plot among the opposition Assemblymen.

A number of pro-Rhee Assemblymen reportedly have become alienated by his tactics during the past week.

13.

Chinese radio notes hypothesis of Sino-Soviet split: A Chinese Communist station broadcast to the Ho Chi Minh government on 22 May the text of a book review appearing in a pro-Government Paris journal. The book argues that a "realistic attitude" in the West would permit Asian Communism "to affirm itself in a national way and escape the hold of the USSR."

The broadcast also repeated the author's speculation that China, "under the influence of potential tensions" in

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Sino-Soviet border areas, might eventually "relax the bonds which tie her to the Soviets." (R FBIS, 28 May 52)

Comment: In the past, the Chinese Communists have taken note of such Western speculations only in order to deny and deride them.

In this case, Peiping may be inviting Ho's attention to a line which might be profitably exploited by Ho's regime or by any other Asian "liberation" movement which wished to conceal its true affiliation.

This broadcast is also of interest, however, in connection with a recent broadcast from Radio Free Japan, apparently located in North China, which named the Chinese Communists and Mao Tse-tung, rather than the USSR and Stalin, as leading in Asia's "liberation."

14. Chinese Communists allegedly expect world war to begin by 1954: A document allegedly circulated by Chinese Communist agents in Japan concludes that a third world war is "inevitable." The document states that the United States will be armed, and Japan rearmed, by mid-1954, at which time the USSR will be capable of atomic attacks upon the American mainland.

The document goes on to state that the construction of American air bases surrounding Russia and China will be completed by March 1953, at which time the plan calls for atomic attacks upon the USSR. (S FEAF INTSUM No. 703, Tokyo F-6, 30 May 52)

Comment: It is true that Peiping is committed to the view that a "final conflict" between the Communist and non-Communist worlds is inevitable. However, several of the reports attributing to Peiping an expectation of global hostilities at some definite date have already been disproved by events.

This particular document does not appear genuine. Specifically, it seems discredited by its assertion that American plans call for an attack on the USSR more than a year before the United States and Japan are to be properly armed.

15. Textile plans and production in China reported: Peiping plans to triple the textile industry in the next ten years by adding ten million spindles, [redacted] 25X1C
25X1C [redacted] He stated that China's mills

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produced 1.8 million bales of cotton yarn and 27 million bolts of cotton cloth in 1951. [REDACTED]

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[REDACTED]

Comment: A Communist plan to triple the number of spindles in China's textile mills was reported in 1949, but the expansion program was not started until 1951. In late 1951 Peiping announced that the government had begun to build new textile mills "on a scale unknown in the history of the industry in China."

This is the first report from a Communist source giving 1951 textile production in absolute figures. These figures are substantially less than China's highest output in the past, which, the Communist press has claimed, was exceeded in both 1950 and 1951.

16. Peiping's military budget reported: The Chinese Communists have planned military expenditures of about 2.6 billion dollars in 1952, [REDACTED]

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About 1.5 billion dollars has been allocated for current expenses of the army, navy, and air force. Some 840 million dollars will be spent for "national defense construction," that is, for the training and equipping of military units and buildup of defense industries. [REDACTED]

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[REDACTED]

Comment: These budget estimates for 1952 total about twice Peiping's peacetime military expenditures.

China's heavy military expenditures have brought tax increases and large "voluntary" levies on businessmen, farmers, and workers. There is no evidence, however, that popular dissatisfaction with the new financial burdens constitutes a serious menace to Communist authority.

NEAR EAST - AFRICA

17. Minister of Education mentioned as possible successor to Libyan Prime Minister: The American Minister in Tripoli reports that for the first time Libyan Minister of Education Saqizli is being mentioned for the premiership if Prime Minister Muntasser resigns or is replaced upon his return from Europe. (C Tripoli 711, 29 May 52)

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Comment: Fathia Bey Kekhia, Deputy Prime Minister during Muntasser's absence, has previously been mentioned as a possible successor to Muntasser. Both Kekhia and Saqizli, ex-Governor of Cyrenaica, are influential Cyrenaicans. Should Muntasser be replaced by either, Cyrenaican influence in the government would further increase, promoting disunity within the new state.

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WESTERN EUROPE

18. Soviet Union apparently not yet ready to blockade Berlin:
The Berlin element of the High Commissioner's office believes that the Soviet Union and East Germany are veering away from the menacing position taken only a few days ago and suggests that the Soviet measures in Berlin are directed more at isolating East Germany and intensifying control there than at the immediate strangulation of the city.

This may indicate that the Soviet Union, which will continue to have the power to cut Berlin's communications with the West, is not yet prepared to resort to this drastic measure, but will use various other means to try to block ratification of the contractual agreement and EDC treaty. (S Berlin 1434, 31 May 52)

19. Possible relocation of Soviet ground force headquarters in East Germany: [REDACTED]

[REDACTED] reveals a redistribution of some elements of the Headquarters, Soviet Group of Occupation Forces, Germany (GOFG), from the Berlin suburb of Potsdam-Babelsberg to the Zossen-Wuensdorf area 25 miles south of Berlin.

Residents of Potsdam believe that one of the vacated installations there is to be occupied by East German People's Police.

Comment: Neither the number of headquarters elements involved nor the permanence of the move is established at this time. Renovation of the former German High Command installations in the Zossen-Wuensdorf area started in August 1950 under GOFG supervision and [REDACTED] stationed there for over a year. The barracks, which are estimated to have a capacity of 35,000 to 40,000 troops, were recently only partially occupied.

The move of GOFG headquarters, if confirmed, would follow a recently observed pattern of Soviet Army relocations in East Germany, which apparently are designed to take advantage of improved facilities and to provide greater security from observation. It would also serve to enhance the prestige of the East German Government in Berlin by making it appear more independent.

There is no evidence of the relocation of Soviet air headquarters in Eastern Germany, and, inasmuch as almost all of the

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tactical ground units are presently in normal summer training areas, any major redistribution of ground force units probably would not become evident until after fall maneuvers.

20. Council of Europe rejects plan for actual political federation: The Consultative Assembly of the Council of Europe at its final meeting on 30 May rejected a last-minute proposal by Belgium's Henri Spaak which would have authorized the Schuman Plan and European Defense Community countries to draw up immediately a draft constitution for the political federation of Western Europe. The Assembly did, however, approve Anthony Eden's proposal for coordinating the activities of the EDC, the Schuman Plan, and the Council of Europe.

The American Consulate in Strasbourg comments that the advocates of political federation have little chance of overcoming British and Scandinavian opposition, and that the Eden proposal was approved, despite its vagueness, because of the overwhelming desire of the Assembly to retain British association with the Council of Europe. (C Strasbourg 173, 1 Jun 52)

Comment: Eden's proposal has had the effect of offsetting disappointment over Britain's opposition to an earlier draft constitution for the political federation of Western Europe. The Assembly's approval of the British plan represents a victory for the "functionalists" who believe that cooperation among sovereign nations on actual functions will lead to a more practicable unity in Europe than would the constitution of a broad supra-national political authority.

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23. Labor opposition to Pinay government develops: The chiefs of the two leading non-Communist labor confederations in France have indicated dissatisfaction over the results of a recent hour-long interview with Premier Pinay and his Labor Minister, during which the Premier was urged to use more forceful measures to lower prices. The unions oppose Pinay's rather conservative revision of the escalator wage bill, which is nevertheless expected to pass over tough opposition. (C Paris 7490, 31 May 52)

Comment: Non-Communist labor may renounce its wait-and-see policy toward Pinay's reduction program if the Premier wins the vote of confidence scheduled for 3 June on the wage bill. French unions are demanding wage increases to compensate for price rises to Pinay's premiership; but there is little likelihood of immediate widespread strike activity, particularly since Communist labor's current support of the party's political agitation has further alienated free labor.

24. De Gasperi may seek Monarchist support to avoid losing national elections: On the basis of results from the latest local elections, the US Embassy in Rome estimates that "the slightest unfavorable shift in sentiment between now and 1953 might put the democratic parties in the minority." To avoid this, Premier de Gasperi may "make a serious try at a balancing trick with the Monarchists," although this would cost him the support of the nationally more numerous Democratic Socialists.

The Premier is expected to revise the electoral law to favor the center, and to seek elimination of the neo-fascists from political competition by outlawing them or controlling their activities through the enforcement of existing laws.

Another possible course would be for De Gasperi to invite the Nenni Socialists into the government and take a chance that they could be brought to support NATO. (C Rome 5228, 29 May 52)

Comment: Because the elections show that the Christian Democrats have lost their popular mandate, De Gasperi faces the choice of broadening his government, either to the right or to the left. The electoral results suggest that further alienation by the De Gasperi government of the left-center in favor of the conservative right would accelerate the present trend toward extremes and jeopardize Italian cooperation with American policies.

There is no indication that Nenni's recent expressions of strong opposition to "Atlantic clericalism" is connected in

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any way to his previously expressed opposition to the Atlantic Pact.

25. Swiss Communist Party calls for strong, centralized party cadre: Prior to its congress on 1 and 2 June, the Swiss Communist Party issued a manifesto indicating its future line of action. The manifesto, which represents a further departure from former party chief Leon Nicole's concept of a mass party, calls for a strong centralized party cadre. The party will emphasize the formation of factory cells, which will become the basic unit for party activity. (R Bern Joint Weeka 22, 29 May 52)

Comment: This directive is a further indication that Leon Nicole is unlikely to regain control of the Swiss Communist Party.

During the past two or three years all European Communist parties have intensified their efforts to strengthen Communist factory cells.

26. Denmark to refuse facilities for East-West trade organization: The Danish Foreign Office has told the American Embassy that it will not issue the necessary visas for the formation in Copenhagen of a permanent headquarters for a committee to promote the expansion of East-West trade. This committee is presumably a result of the Moscow Economic Conference. The Soviet Legation had indirectly approached the Danish Government to sanction the establishment of such an organization. (C Copenhagen 916, 29 May 52)

Comment: The meeting of the initiating committee for the Moscow Economic Conference was held in Copenhagen in October 1951, at which time the Danish Government expressed disapproval of the meeting, but took no measures to prevent delegates from attending.

A Permanent Committee for the Promotion of International Trade was set up at the Moscow Economic Conference where Berlin was selected as the site for the permanent secretariat. This is the first indication that any alteration in these plans has been considered.

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LATIN AMERICA

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28. Remon declared President-elect of Panama; no immediate disorders expected: Jose A. Remon, who was formally notified by the National Electoral Jury on 1 June of his election to the presidency of Panama, told Ambassador Wiley that he was confident the country would become tranquil "when the public became aware that order was being maintained." Political polemics and agitation have very noticeably abated.

According to Ambassador Wiley, no disorders are foreseen, at least until after the inauguration. Both the government and the opposition, however, agree that the first four months after the inauguration will be "difficult and decisive." (U Panama Country 994, 1 Jun 52; C Panama City 995, 1 Jun 52)

Comment: Remon is so confident that he is even considering a trip abroad in the interim before his inauguration on 1 October. As long as he retains the support of the National Police it is very unlikely that his position can be effectively challenged. Much will depend, however, on the still undetermined strength of the opposition in the newly-elected National Assembly, on the strategy adopted by [redacted] Arnulfo and Harmodio Arias, and on the effects of Panama's economic crisis.

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FAR EAST

1. American Charge comments on South Korean "Communist" plot: In analyzing the possibility of a Communist-financed plot among the South Korean National Assembly opposition, Charge Lightner comments that involvement of a large number of Assemblymen in a plot is "fantastic." He points out that it is a common practice in all South Korean political circles to supplement meager official salaries by questionable means. While it is possible that Japanese Communist money has been smuggled into Pusan, the recipients would have obtained the money through middlemen and not necessarily be aware of the source. (S S/S Pusan 1202, 30 May 52)

Comment: Rhee has in the past employed the charge of communism to rid himself effectively of his political opposition. Proof so far in the current imbroglio has not been forthcoming.

2. Burmese Defense Minister predicts early end of insurgency: The Burmese Defense Minister has informed the American Army Attache in Rangoon that organized insurgency in Burma would be "dissolved" by the end of this year and mopping up actions would be complete before 1954. He estimated that there were now no more than 5500 armed Communists and Karens -- the two most important insurgent forces. (C MA Rangoon 64, 31 May 52)

Comment: The Defense Minister's estimate parallels optimistic statements recently issued by other Burmese officials. These statements, however, overlook the insurgents' continued ability to mount successful attacks against important towns and lines of communications and the possibility of Chinese assistance to indigenous Communists.

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Furthermore, the Burmese Commander in Chief told the Attache on 21 May that the War Office estimated that there were 15,000 organized insurgents, not including groups under 100 or bandits.

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NEAR EAST - AFRICA

3. Transfer of Israeli Foreign Office may harm US-Arab relations: Assistant Secretary of State Byroade reports that American and other diplomats in the Arab countries, particularly Lebanon, Syria, and Jordan, are concerned over the projected move of the Israeli Foreign Office from Tel Aviv to Jerusalem. He states that if the United States accepts the Israeli action without a protest, the Arab States will interpret this as another example of American acquiescence in an Israeli fait accompli.

Byroade suggests that the United States might take the position that it cannot participate in the move until the issue of internationalization of Jerusalem has been solved by the United Nations. (S S/S Athens 5134, 31 May 52)

Comment: The UN resolution for the internationalization of Jerusalem has never been implemented. Israel controls the New City and Jordan the Old City. Most of the Israeli government offices have already been moved from Tel Aviv.

The projected transfer of the Foreign Office to Jerusalem will immediately force all countries represented in Israel to decide whether to move their diplomatic missions to the New City or openly oppose the Israeli action by remaining in Tel Aviv.

4. Israeli Prime Minister shows ignorance of Arab refugee problem: Israeli Prime Minister Ben-Gurion showed a surprising lack of information concerning the Arab refugee problem, according to Director of the United Nations Relief and Works Agency Blandford. Ben-Gurion stated that all refugees were living comfortably in first class camps, and that their problem was solving itself because they were being absorbed into the economy of the Arab countries.

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Blandford points out, however, that only one third of the refugees are living in camps and at least half a million must be moved to other countries before resettlement can be effected. (C S/S Beirut 1323, 28 May 52)

Comment: It seems improbable that the Israeli Prime Minister is actually ignorant of the true nature of the Arab refugee situation, because the Israeli intelligence service is a competent one and the refugee problem is one of the important issues preventing an Israeli-Arab peace agreement. In past discussions with foreign representatives, Israeli officials have minimized the seriousness of the refugee problem, claiming that the plight of the refugees was the responsibility of the Arab countries, not of Israel.

According to latest figures, there are more than 850,000 Arab refugees in the countries bordering on Israel.

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